

## Message Text

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15  
ACTION EUR-12

INFO OCT-01 ISO-00 SAJ-01 BIB-01 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

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P R 041054Z DEC 76  
FM AMEMBASSY WARSAW  
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INFO AMEMBASSY BELGRADE  
AMEMBASSY BERLIN  
AMEMBASSY BUCHAREST  
AMEMBASSY BUDAPEST  
AMEMBASSY MOSCOW  
AMEMBASSY PRAGUE  
AMEMBASSY SOFIA  
AMCON MUNICH

C O N F I D E N T I A L WARSAW 8659

E.O. 11652 GDS

TAGS: EGEN, PL, EEWT

SUBJECT: POLAND: SPEECHES REVEAL MAJOR PLAN REVISIONS

REF: WARSAW 8658

1. SUMMARY. GIEREK'S DECEMBER 1 SPEECH TO THE PZPR-CC  
PLENUM AND JAROSZEWICZ'S DECEMBER 2 SPEECH TO THE SEJM  
EMBODY THE IMPACT ON POLAND'S ECONOMIC PLANNING FOR THE 1976-80  
PERIOD OF THE JUNE PRICE-RISE FIASCO. TOTAL INVESTMENT IS TO  
DECLINE AS A PERCENTAGE OF NATIONAL INCOME AND WILL BE  
REDIRECTED FROM HEAVY MACHINERY TO HOUSING, FOOD, AND  
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OTHER CONSUMER ITEMS. PRIVATE-SECTOR ACTIVITY IS TO

BE GREATLY ENCOURAGED IN SERVICES AND SLIGHTLY ENCOURAGED IN AGRICULTURE. ECONOMIC INVOLVEMENT WITH THE WEST IS TO REMAIN IMPORTANT, ESPECIALLY IF WESTERN COUNTRIES TAKE STEPS TO REDUCE THEIR DISCRIMINATORY TRADE BARRIERS. END SUMMARY.

2. THE IMPACT OF THE JUNE PRICE-RISE FIASCO ON POLAND'S 1976-80 ECONOMIC PLAN WAS CLEARLY REFLECTED IN SPEECHES OF FIRST SECRETARY GIEREK, PREMIER JAROSZEWICZ, AND PLANNING COMMISSION CHAIRMAN WRZASZCZYCK ON DECEMBER 1 AND 2. BEFORE JUNE, POLAND WAS PLANNING A 35 PERCENT INCREASE IN INVESTMENT OVER THE NEXT FIVE YEARS; NOW THERE IS TO BE VIRTUALLY NO INCREASE IN TOTAL INVESTMENT. ALSO, INSTEAD OF A 42-45 PERCENT RISE IN PRODUCTION FOR THE DOMESTIC MARKET, NOW THERE IS TO BE A 60 PERCENT INCREASE, WHICH GIEREK SAID MIGHT BE EXCEEDED.

3. TOTAL INVESTMENT IS TO BE CUT BACK SHARPLY TO REDUCE THE NEXT INVESTMENT LEVEL FROM 32 PERCENT OF NATIONAL INCOME IN 1975 TO 27 PERCENT IN 1977 AND LOWER PERCENTAGES THEREAFTER. INVESTMENT IN HEAVY INDUSTRY IS TO BE SLASHED, AND INVESTMENT IN HOUSING CONSTRUCTION, FOOD PRODUCTION AND PROCESSING, AND OTHER CONSUMER-GOODS INDUSTRIES IS TO RISE MUCH MORE RAPIDLY THAN HAD BEEN PLANNED BEFORE JUNE. THE HOUSING AND FOOD INDUSTRIES ALONE WILL RECEIVE 43 PERCENT OF TOTAL INVESTMENT. THE PRIVATE SECTOR IS TO BE STIMULATED TO PLAY A MUCH LARGER ROLE IN MAKING CONSUMERS HAPPY THROUGH INCREASED ACTIVITY IN THE SERVICE SECTOR. SOME STATE LAND IS TO BE TRANSFERRED TO PRIVATE FARMERS.

4. DESPITE THE SLOWING OF INVESTMENT, NATIONAL INCOME IS STILL EXPECTED TO RISE BY THE 40-42 PERCENT CALLED FOR BEFORE JUNE, AND INDUSTRIAL PRODUCTION IS TO CLIMB BY THE SAME 48-50 PERCENT. REAL WAGES ARE STILL TO GO UP BY 16-18 PERCENT. THE AGRICULTURAL PRODUCTION TARGET WAS INCREASED SLIGHTLY FROM 15-16 PERCENT TO 16-19 PERCENT. VIRTUALLY THE ENTIRE INCREASE IN INDUSTRIAL PRODUCTION IS TO COME FROM THE INCREASED PRODUCTIVITY OF THE WORKERS, ACCORDING TO THE PLANNERS. CONFIDENTIAL

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5. TO DEAL WITH ITS PRESSING FOREIGN-EXCHANGE PROBLEMS, POLAND PLANS TO LIMIT THE GROWTH OF IMPORTS TO 26 PERCENT OVER THE NEXT FIVE YEARS, COMPARED WITH A NEARLY 200 PERCENT GROWTH OVER THE PAST FIVE YEARS. EXPORTS ARE EXPECTED TO GROW BY 75 PERCENT, AND INDUSTRIAL EXPORTS BY 89 PERCENT. IF THESE TARGETS ARE ACHIEVED, POLAND WOULD HAVE A FOREIGN-TRADE SURPLUS OF OVER \$2 BILLION BY 1980.

IN HIS PLENUM SPEECH, GIEREK LOOKED FORWARD TO AN EXPANSION OF MUTUALLY ADVANTAGEOUS ECONOMIC RELATIONS WITH CAPITALISTIC COUNTRIES IF SOME "INDISPENSABLE STEPS" TOWARD REMOVAL OF DISCRIMINATORY TRADE BARRIERS AGAINST POLISH EXPORTS TO THE WEST ARE TAKEN.

6. COMMENT: THE GIEREK REGIME'S NEW 1976-80 PLAN IS CLEARLY AN EFFORT TO RESPOND TO THE CONSUMER UNHAPPINESS WHICH WAS EXPRESSED SO EXPLOSIVELY ON JUNE 24-25. HOWEVER, IT WILL TAKE TIME FOR MORE HOUSING, FOOD, AND OTHER CONSUMER ITEMS TO BE BROUGHT TO THE MARKET, AND GIEREK HOPES THE POLISH WORKERS WILL BE WILLING TO WAIT. POLAND'S INVESTMENT LEVELS HAVE BEEN SO HIGH IN RECENT YEARS THAT SUBSTANTIAL CUTS CAN BE MADE WITHOUT DECREASING OVERALL GROWTH LEVELS TOO MUCH, PARTICULARLY DURING THE NEXT SEVERAL YEARS.

7. THESE SPEECHES HAD SUCH A HEAVY DOMESTIC ORIENTATION THAT RELATIVELY LITTLE ATTENTION WAS GIVEN TO POLAND'S SEVERE HARD-CURRENCY AND DEBT PROBLEMS. NEVERTHELESS, THE ANNOUNCED EXPORT AND IMPORT TARGETS SHOW THAT THE POLISH LEADERSHIP REALIZES AUSTERE MEASURES ARE REQUIRED. SINCE INTRA-CEMA TRADE IS USUALLY CLOSELY BALANCED, THE PROJECTED 1980 TRADE SURPLUS WOULD HAVE TO BE LARGELY IN HARD CURRENCY. IN THIS REGARD, GIEREK'S CALL FOR REDUCTION OF THE WEST'S DISCRIMINATORY TRADE BARRIERS PROBABLY MARKS THE OPENING OF A MAJOR CAMPAIGN TO GET THE WESTERN COUNTRIES TO DEMONSTRATE THAT THERE IS A SOUND, MUTUALLY BENEFICIAL BASIS FOR EXPANSION OF POLAND'S TRADE WITH THE WEST. END COMMENT.  
DAVIES

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